

B.B.A. SEM – III (2015 CBCS COURSE) : SUMMER - 2018
SUBJECT : BASICS OF FINANCIAL MANAGEMENT

Day : **Thursday**
Date : **03/05/2018**

Time : **02.00 PM TO 05.00 PM**
Max. Marks : 100

S-2018-1602

N.B.:

- 1) Attempt **ANY FOUR** questions from Section – I and **ANY TWO** questions from Section – II.
- 2) Answers to both the sections should be written in **SEPARATE** answer books.
- 3) Use of non-programmable **CALCULATOR** is allowed.
- 4) Figures to the right indicate **FULL** marks.

SECTION – I

- Q.1** Define Financial Management. Explain the Scope of Finance Functions. [15]
- Q.2** What are the factors to be considered while framing Capital Structure of a Manufacturing Firm? [15]
- Q.3** Write a note on Sources of Financing Working Capital. [15]
- Q.4** Explain the factors affecting 'Dividend Decision'. [15]
- Q.5** Write short notes on **ANY TWO** of the following: [15]
- a) Time Value of Money
 - b) Public Deposits
 - c) Debentures

SECTION – II

- Q.6** Amrut Ltd., whose cost of capital is 10% is considering two mutually exclusive proposals, A and B, the details of which are as follows: [20]

Particulars	Proposal A (₹)	Proposal B (₹)
Initial Investments	50,00,000	50,00,000
Projected Cash Inflows:		
1 st year	4,00,000	19,50,000
2 nd year	7,50,000	20,00,000
3 rd year	10,50,000	19,00,000
4 th year	16,50,000	18,75,000
5 th year	22,50,000	16,25,000

You are required to Calculate for proposal A and B the following and give the decision in which proposal the company should invest.

- a) Pay Back Period
- b) Net present value @ 10% rate of discount
- c) Profitability Index

The discounting factors at 10% are: .909, .826, .751, .683, .621.

P.T.O.

- Q.7** Akash Ltd., sells its products on a gross profit of 20% on sales. The following information is extracted from its annual accounts for the current year ended on 31st March, 2017. [20]

	₹
Sales at 3 months credit	60,00,000
Raw materials	16,00,000
Wages paid-average time lag 15 days	10,60,000
Manufacturing expenses paid-one month in arrears	14,00,000
Administrative expenses paid-one month in arrears	5,80,000
Sales promotion expenses payable half year in advance	3,00,000

The company enjoys one month's credit from the suppliers of raw materials and maintains a 2 months stock of raw materials and one and half month's stock of finished goods. The cash balance is maintained at ₹ 1,50,000 as a precautionary measure. Assuming a 10% margin, find out the working capital requirements of the company.

- Q.8** Assuming that a company pays income-tax @ 30%, calculate the after-tax cost of capital in the following cases: [20]

- a) A 9% preference share sold at par redeemable after 5 years.
- b) A perpetual bond with 7.5% rate of interest.
- c) A ten years 9% ₹ 1,000 debenture sold at ₹ 950 less 4% underwriting commission.
- d) A preference shares sold at ₹ 100 with 8% dividend and redemption price of ₹ 110 and redemption period of 5 years.
- e) An ordinary share selling at a market price of ₹ 150 and current dividend of ₹ 10 per share which is expected to grow at 9%.

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